U.S. International Transactions

First Quarter of 2007

By Renee M. Sauers

The estimates presented in this article reflect the annual revision of the international transactions accounts. For more information, see "Annual Revision of the U.S. International Accounts, 1997–2006" in this issue.

THE U.S. current-account deficit—the combined balances on trade in goods and services, income, and net unilateral current transfers—increased to $192.6 billion (preliminary) in the first quarter of 2007 from $187.9 billion (revised) in the fourth quarter of 2006 (table A, chart 1).[1] The increase was mostly attributable to an increase in net unilateral current transfers to foreigners. In addition, the deficit on goods increased a small amount. These increases were partly offset by increases in the surpluses on services and on income.

In the financial account, net financial inflows—net acquisitions by foreign residents of assets in the United States less net acquisitions by U.S. residents of assets abroad—were $202.8 billion in the first quarter, down from $225.2 billion in the fourth quarter. Net acquisitions by U.S. residents picked up more than net acquisitions by foreign residents.

The statistical discrepancy—errors and omissions in recorded transactions—was a negative $9.6 billion in the first quarter, compared with a negative $36.6 billion in the fourth quarter.

The following are highlights for the first quarter of 2007:

- Goods exports increased at a more moderate rate than in recent quarters. Goods imports rebounded after a fourth-quarter decrease, mostly as a result of a rebound in petroleum and products.
- Net U.S. purchases of foreign securities slowed but remained relatively strong.
- Net private foreign purchases of U.S. Treasury securities picked up, and net private foreign purchases of other U.S. securities slowed.
- Both U.S. claims and U.S. liabilities reported by U.S. banks increased strongly.

1. Quarterly estimates of U.S. current-account and financial-account components are seasonally adjusted when series demonstrate statistically significant seasonal patterns. The accompanying tables present both adjusted and unadjusted estimates.

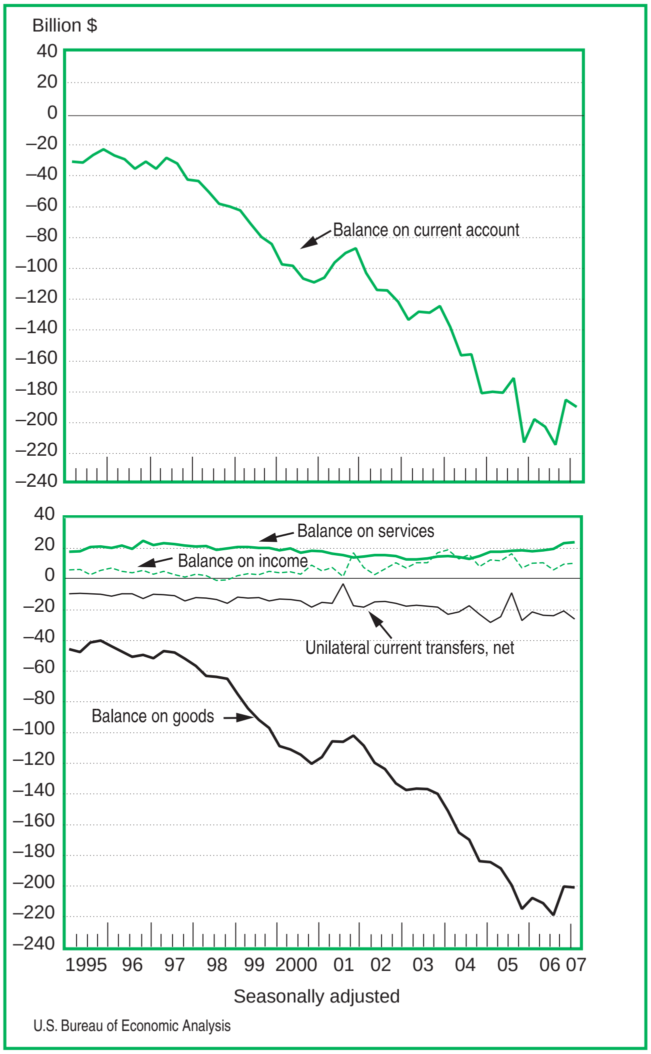
Table A. Summary of U.S. International Transactions

[Millions of dollars, quarters seasonally adjusted]

Line	Corresponding lines in tables 1 and 11 are indicated in () (Credits +; debits –)	2005	2006	2005				2006				2007	Change: 2006:IV–2007:I
				I	II	III	IV	I	II	III	IV	I p	
	Current account												
1	**Exports of goods and services and income receipts (1)**	**1,788,557**	**2,096,165**	**424,101**	**440,217**	**451,964**	**472,275**	**494,027**	**518,595**	**532,894**	**550,649**	**560,445**	**9,796**
2	Goods, balance of payments basis (3)	894,631	1,023,109	214,391	223,068	224,320	232,852	243,880	252,458	260,285	266,486	270,116	3,630
3	Services (4)	388,439	422,594	94,359	95,817	97,770	100,492	101,756	104,117	105,583	111,137	112,806	1,669
4	Income receipts (12)	505,488	650,462	115,351	121,333	129,873	138,931	148,391	162,020	167,026	173,025	177,523	4,498
5	**Imports of goods and services and income payments (18)**	**–2,454,871**	**–2,818,047**	**–578,269**	**–599,084**	**–616,350**	**–661,169**	**–673,277**	**–700,504**	**–726,352**	**–717,914**	**–726,878**	**–8,964**
6	Goods, balance of payments basis (20)	–1,681,780	–1,861,380	–398,781	–411,592	–423,638	–447,769	–451,637	–463,734	–479,184	–466,825	–470,983	–4,158
7	Services (21)	–315,661	–342,845	–76,611	–77,963	–79,404	–81,684	–83,711	–85,419	–85,991	–87,724	–88,727	–1,003
8	Income payments (29)	–457,430	–613,823	–102,877	–109,529	–113,308	–131,716	–137,929	–151,352	–161,177	–163,365	–167,167	–3,802
9	**Unilateral current transfers, net (35)**	**–88,535**	**–89,595**	**–28,225**	**–24,372**	**–9,019**	**–26,915**	**–21,360**	**–23,686**	**–23,877**	**–20,673**	**–26,148**	**–5,475**
	Capital account												
10	**Capital account transactions, net (39)**	**–4,054**	**–3,913**	**–2,598**	**–512**	**–473**	**–472**	**–1,724**	**–1,008**	**–545**	**–637**	**–559**	**78**
	Financial account												
11	**U.S.-owned assets abroad, net (increase/financial outflow (–)) (40)**	**–426,875**	**–1,055,176**	**–86,619**	**–213,305**	**–141,628**	**14,678**	**–344,032**	**–212,218**	**–209,898**	**–289,028**	**–420,786**	**–131,758**
12	U.S. official reserve assets, net (41)	14,096	2,374	5,331	–797	4,766	4,796	513	–560	1,006	1,415	–72	–1,487
13	U.S. Government assets, other than official reserve assets, net (46)	5,539	5,346	2,591	989	1,501	459	1,049	1,765	1,570	962	466	–496
14	U.S. private assets, net (50)	–446,510	–1,062,896	–94,541	–213,497	–147,894	9,423	–345,594	–213,423	–212,474	–291,405	–421,180	–129,775
15	**Foreign-owned assets in the United States, net (increase/financial inflow (+)) (55)**	**1,204,231**	**1,859,597**	**232,614**	**310,822**	**383,808**	**276,987**	**538,140**	**355,442**	**449,987**	**516,029**	**623,554**	**107,525**
16	Foreign official assets in the United States, net (56)	259,268	440,264	25,052	81,292	54,736	98,188	125,257	120,861	108,799	85,347	147,834	62,487
17	Other foreign assets in the United States, net (63)	944,963	1,419,333	207,562	229,530	329,072	178,799	412,883	234,581	341,188	430,682	475,720	45,038
18	**Financial derivatives, net (70)**	**n.a.**	**28,762**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**1,633**	**14,001**	**14,911**	**–1,783**	**n.a.**	**n.a.**
19	**Statistical discrepancy (sum of above items with sign reversed) (71)**	**–18,454**	**–17,794**	**38,995**	**86,234**	**–68,302**	**–75,384**	**6,593**	**49,378**	**–37,121**	**–36,643**	**–9,629**	**28,797**
	Memoranda:												
19	Balance on current account (77)	–754,848	–811,477	–182,392	–183,238	–173,406	–215,809	–200,611	–205,595	–217,334	–187,938	–192,581	–4,643
20	Net financial flows (40, 55, and 70)	777,356	833,183	145,995	97,517	242,180	291,665	195,741	157,225	255,000	225,218	202,768	–24,233

p Preliminary
n.a. Not available

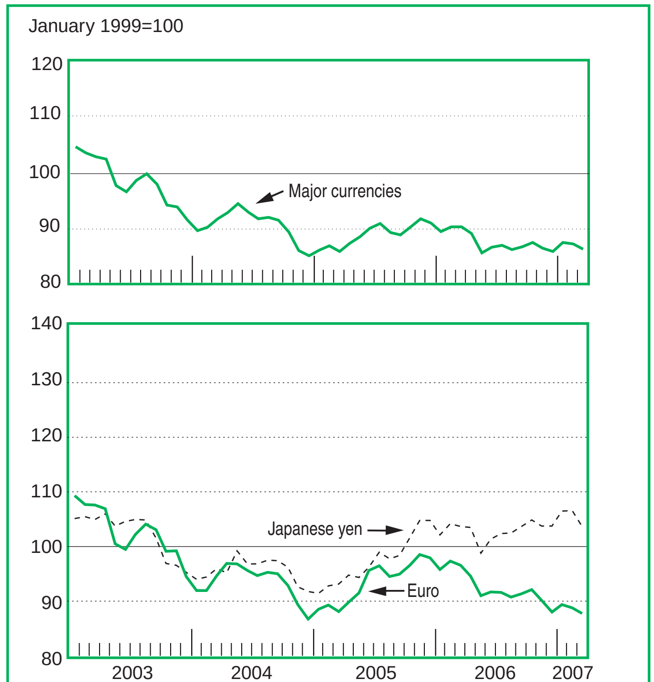
Chart 1. U.S. Current-Account Balance and Its Components



Selected economic and financial market developments

In the first quarter, the U.S. dollar appreciated less than 1 percent on a nominal, trade-weighted, quarterly average basis against a group of seven major currencies that are widely traded in international markets (table B, chart 2). The U.S. dollar appreciated 3 percent

Chart 2. Nominal Indexes of Foreign Currency Price of the U.S. Dollar



NOTE. See table B for the definitions of the indexes. Monthly average rates.
Data: Federal Reserve Board. Indexes rebased by BEA.
U.S. Bureau of Economic Analysis

Table B. Indexes of Foreign Currency Price of the U.S. Dollar

[January 1999=100]

	2006				2007	2006										2007		
	I	II	III	IV	I	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March
Nominal: [1]																		
Broad [2]	96.4	94.9	94.4	93.9	93.7	96.6	95.9	93.9	95.0	94.8	94.1	94.4	94.6	93.9	93.2	94.1	93.8	93.3
Major currencies [3]	89.7	86.8	86.3	86.3	86.7	90.0	88.8	85.3	86.3	86.7	85.9	86.4	87.2	86.2	85.6	87.2	86.9	86.0
Other important trading partners [4]	105.1	105.5	105.0	103.7	102.9	105.2	105.2	105.0	106.4	105.3	104.8	104.8	104.4	103.8	103.0	103.1	102.8	102.8
Real: [1]																		
Broad [2]	98.6	98.4	98.1	96.0	95.9	99.1	99.1	97.4	98.7	98.6	98.0	97.6	97.1	95.8	95.0	96.1	95.7	96.0
Major currencies [3]	97.1	94.9	94.7	93.8	94.6	97.7	96.9	93.4	94.5	95.2	94.3	94.5	94.9	93.6	92.9	94.7	94.7	94.3
Other important trading partners [4]	100.3	102.3	101.9	98.5	97.5	100.7	101.5	101.9	103.5	102.5	102.1	101.1	99.6	98.4	97.4	97.7	96.9	97.9
Selected currencies (nominal): [5]																		
Canada	76.0	73.9	73.8	75.0	77.1	76.2	75.3	73.1	73.3	74.3	73.6	73.5	74.3	74.8	75.9	77.4	77.1	76.9
European currencies:																		
Euro area [6]	96.4	92.2	91.0	89.9	88.4	96.4	94.4	90.8	91.5	91.4	90.5	91.1	91.9	89.9	87.8	89.2	88.6	87.5
United Kingdom	94.1	90.4	88.0	86.1	84.4	94.6	93.3	88.3	89.5	89.5	87.1	87.6	87.9	86.3	84.0	84.2	84.2	84.7
Switzerland	93.5	89.8	89.4	89.1	89.0	94.2	92.6	88.0	88.9	89.3	88.9	89.9	90.9	89.2	87.3	89.7	89.4	87.9
Japan	103.1	101.0	102.7	104.0	105.4	103.5	103.3	98.6	101.2	102.2	102.3	103.5	104.7	103.6	103.6	106.3	106.4	103.5
Mexico	104.6	110.4	108.1	107.5	108.8	106.1	109.1	109.5	112.5	108.4	107.4	108.5	107.5	107.8	107.2	108.2	108.6	109.7
Brazil	145.0	144.3	143.5	142.2	139.3	142.4	140.7	143.5	148.8	144.7	142.5	143.4	141.9	142.6	142.0	141.4	138.5	138.1

1. For more information on the nominal and real indexes of the foreign exchange value of the U.S. dollar, see Federal Reserve Bulletin, vol. 84 (October 1998): 811–18.
2. Weighted average of the foreign exchange value of the U.S. dollar against the currencies of a broad group of U.S. trading partners, including the currencies of the euro area countries, Australia, Canada, Japan, Sweden, Switzerland, United Kingdom, Argentina, Brazil, Chile, Colombia, Mexico, Venezuela, China, Hong Kong, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand, Israel, Saudi Arabia, and Russia. Data: Federal Reserve Board. Monthly and quarterly average rates. Index rebased by BEA.
3. Weighted average of the foreign exchange value of the U.S. dollar against broad-index currencies that circulate widely outside the country of issue, including the currencies of the euro area countries, Australia, Canada, Japan, Sweden, Switzerland, and the United Kingdom. The weight for each currency is its broad-index weight divided by the sum of the broad-index weights for all of the currencies included in the major currency index. Data: Federal Reserve Board. Monthly and quarterly average rates. Index rebased by BEA.
4. Weighted average of the foreign exchange value of the U.S. dollar against broad-index currencies that do not circulate widely outside the country of issue, including the currencies of Argentina, Brazil, Chile, Colombia, Mexico, Venezuela, China, Hong Kong, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand, Israel, Saudi Arabia, and Russia. The weight for each currency is its broad-index weight divided by the sum of the broad-index weights for all of the currencies included in the other important trading partners index. Data: Federal Reserve Board. Monthly and quarterly average rates. Index rebased by BEA.
5. Data: Federal Reserve Board. Monthly and quarterly average rates. Indexes prepared by BEA.
6. The euro area includes Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, and Spain; beginning with the first quarter of 2007, also includes Slovenia.

against the Canadian dollar and 1 percent against the Japanese yen, and it depreciated 2 percent against the euro.

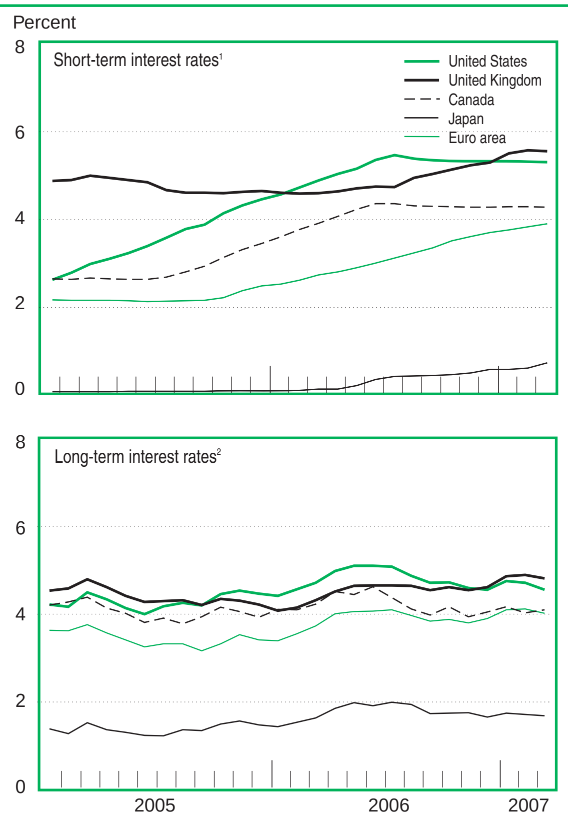
In the United States, data releases in the first quarter indicated that U.S. economic growth in the fourth quarter picked up somewhat. Releases indicated that the U.S. deficit on trade in goods and services on a 3-month moving-average basis narrowed. U.S. monetary authorities left the target interest level for the Federal funds rate at 5.25 percent, and other U.S. short-term interest rates decreased slightly (chart 3). U.S. and foreign long-term interest rates and stock prices fell sharply in late February and early March but largely recovered by the end of the quarter, finishing near their levels at the start of the quarter.

In Europe, data releases indicated that euro area economic growth in the fourth quarter strengthened. Among selected countries, economic activity in Germany, France, Italy, and Spain strengthened. Euro area monetary authorities raised the minimum bid rate on main refinancing operations, a key policy-controlled interest rate, to 3.75 percent in mid-March from 3.50 percent. Euro area short-term interest rates have risen steadily in recent quarters, reducing the large gap that existed between U.S. and euro area short-term rates.

In Japan, reports showed that economic growth in the fourth quarter strengthened considerably. Japanese monetary authorities increased the key overnight lending rate to 0.50 percent in late February from 0.25 percent.

In Canada, reported economic growth in the fourth quarter changed little, and Canadian monetary authorities left the target level for the overnight rate at 4.25 percent.

Chart 3. U.S. and Foreign Interest Rates



1. Three-month interest rates.
2. Long-term government bonds, 10-year maturities.
Data: Federal Reserve Board, British Bankers' Association, and foreign monetary authorities.

U.S. Bureau of Economic Analysis

Current Account

Goods and services

The deficit on goods and services decreased slightly to $176.8 billion in the first quarter from $176.9 billion in the fourth quarter. A $0.7 billion increase in the surplus on services was mostly offset by a $0.5 billion increase in the deficit on goods.

Goods

The deficit on goods increased to $200.9 billion in the first quarter from $200.3 billion in the fourth quarter, as export growth slowed and imports rebounded.

Exports. Exports of goods increased $3.6 billion, or 1.4 percent, to $270.1 billion (table C). Exports have posted successively smaller gains in each of the last four quarters (chart 4). Real exports slowed substantially, to 0.4 percent, and export prices increased 1.0

Revisions to the Estimates

The estimates presented in this article incorporate methodological and statistical improvements and newly available source data. The following estimates have been revised: Goods for 1997–2006; services for 2003–2006; income for 2001–2006; unilateral current transfers for 2003–2006; capital-account transactions for 2003–2006; and financial flows for 2003–2006. For more information, see “Annual Revision of the U.S. International Accounts, 1997–2006” in this issue.

For the fourth quarter of 2006, the current-account deficit was revised to $187.9 billion from $195.8 billion. The goods deficit was revised to $200.3 billion from $197.9 billion; the services surplus was revised to $23.4 billion from $19.4 billion; the surplus on income was revised to $9.7 billion from $3.0 billion; and unilateral current transfers were revised to net outflows of $20.7 billion from $20.2 billion. Net financial inflows were revised to $225.2 billion from $164.6 billion.

percent (chart 5).[2]

Consumer goods increased $1.2 billion. Nondurable goods increased as a result of a large increase in medical, dental, and pharmaceutical preparations, mainly to the European Union. Durable goods also increased, mostly as a result of an increase in home entertainment equipment.

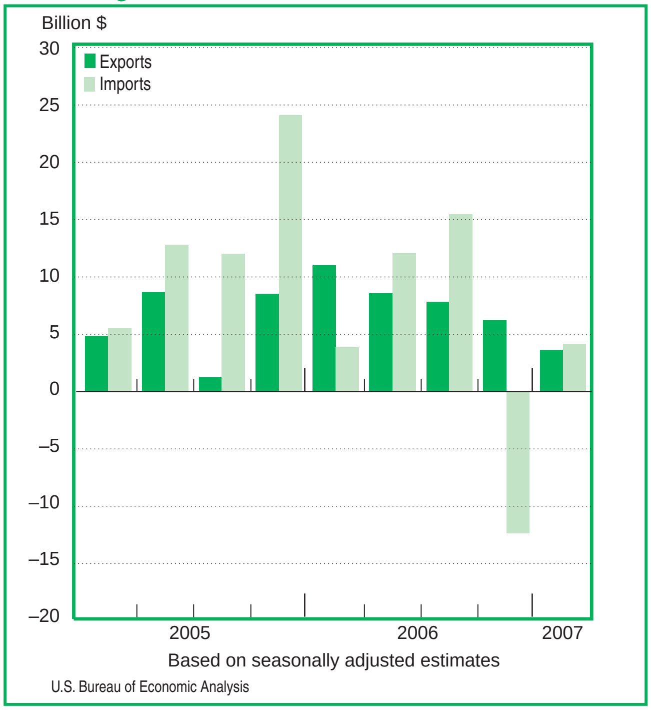
Agricultural products, which have picked up in recent quarters, increased $1.0 billion, the largest increase in 3½ years. The first-quarter increase was partly accounted for by strong increases in wheat and soybeans. Corn also increased, reflecting an increase in prices; corn prices have increased strongly in recent quarters, partly in response to the expanded production of ethanol.

Automotive vehicles, parts, and engines increased $0.5 billion. The increase was attributable to increases in passenger cars, mostly to Germany, and in other vehicles, mainly to Mexico and Russia.

Nonagricultural industrial supplies and materials, which have slowed after strong gains in the first half of 2006, increased only $0.3 billion. In the first quarter of 2007, increases in chemicals, steelmaking materials, and iron and steel products were largely offset by decreases in energy products and nonferrous metals.

2. Quantity (real) estimates are calculated using a chain-type Fisher formula with annual weights for all years and quarterly weights for all quarters. Real estimates are expressed as chained (2000) dollars. Price indexes (2000 = 100) are also calculated using a chain-type Fisher formula.

Chart 4. U.S. Trade in Goods: Change in Value From Preceding Quarter



Data Availability

The estimates that are presented in tables 1–11 of the U.S. international transactions accounts are available interactively on BEA's Web site at <www.bea.gov>. Users may view and download the most recent quarterly estimates for an entire table, or they may select the period, frequency, and lines that they wish to view. The estimates are available in an HTML table, in an Excel file, or as comma-separated values.

Table C. U.S. Trade in Goods in Current and Chained (2000) Dollars and Percent Changes From Previous Period

[Balance-of-payments basis, millions of dollars, quarters seasonally adjusted]

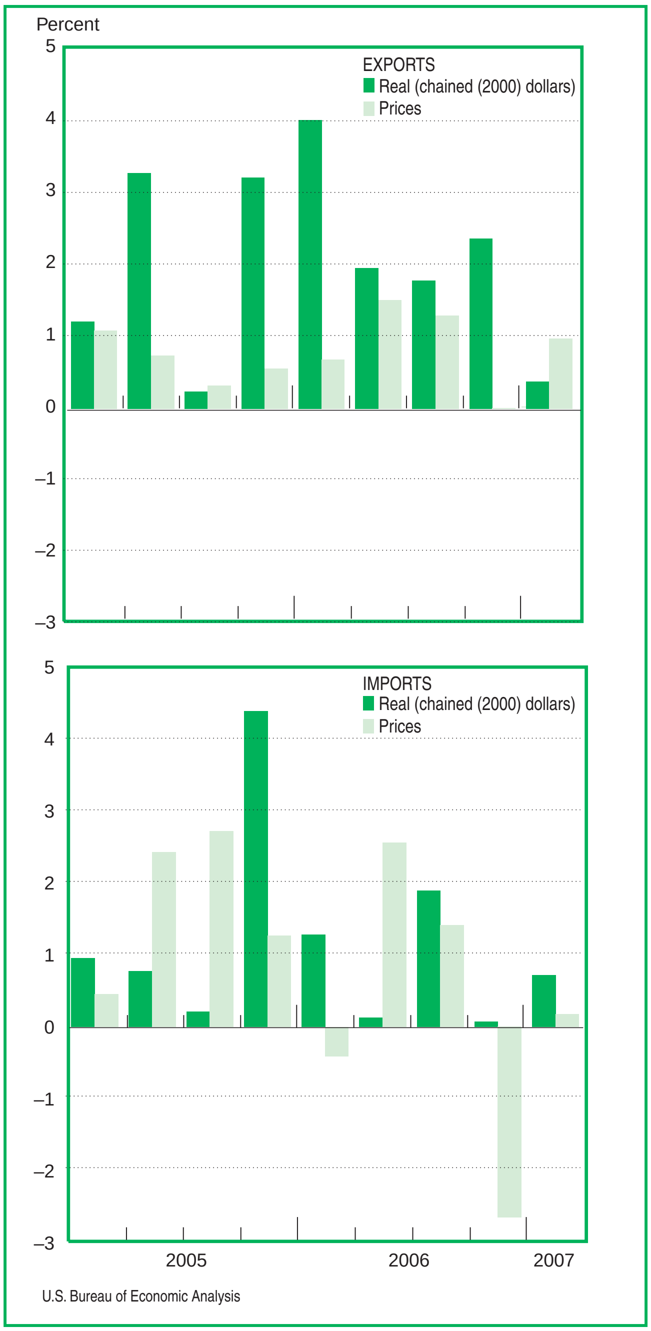
	Current dollars							Chained (2000) dollars [1]						
	2005	2006	2006 I	2006 II	2006 III	2006 IV	2007 I p	2005	2006	2006 I	2006 II	2006 III	2006 IV	2007 I p
Exports	**894,631**	**1,023,109**	**243,880**	**252,458**	**260,285**	**266,486**	**270,116**	**831,225**	**920,418**	**223,350**	**227,743**	**231,805**	**237,298**	**238,195**
Agricultural products	64,887	72,869	17,309	18,028	18,689	18,843	19,826	53,537	57,961	14,199	14,697	14,773	14,296	14,146
Nonagricultural products	829,744	950,240	226,571	234,430	241,596	247,643	250,290	779,146	864,287	209,580	213,458	217,476	223,591	224,677
Imports	**1,681,780**	**1,861,380**	**451,637**	**463,734**	**479,184**	**466,825**	**470,983**	**1,534,163**	**1,625,375**	**402,059**	**402,557**	**410,176**	**410,471**	**413,404**
Petroleum and products	251,856	302,430	73,362	78,713	82,768	67,587	70,852	140,986	138,028	36,545	33,914	34,176	33,557	35,805
Nonpetroleum products	1,429,924	1,558,950	378,275	385,021	396,416	399,238	400,131	1,395,919	1,500,534	366,318	372,174	380,084	381,823	380,765

	Percent change from previous period (current dollars)							Percent change from previous period (chained (2000) dollars)						
	2005	2006	2006 I	2006 II	2006 III	2006 IV	2007 I p	2005	2006	2006 I	2006 II	2006 III	2006 IV	2007 I p
Exports	**10.8**	**14.4**	**4.7**	**3.5**	**3.1**	**2.4**	**1.4**	**7.5**	**10.7**	**4.0**	**2.0**	**1.8**	**2.4**	**0.4**
Agricultural products	3.1	12.3	4.5	4.2	3.7	0.8	5.2	5.2	8.3	4.4	3.5	0.5	–3.2	–1.0
Nonagricultural products	11.4	14.5	4.8	3.5	3.1	2.5	1.1	7.7	10.9	4.0	1.9	1.9	2.8	0.5
Imports	**13.9**	**10.7**	**0.9**	**2.7**	**3.3**	**–2.6**	**0.9**	**6.9**	**5.9**	**1.3**	**0.1**	**1.9**	**0.1**	**0.7**
Petroleum and products	39.6	20.1	–1.1	7.3	5.2	–18.3	4.8	2.3	–2.1	–0.9	–7.2	0.8	–1.8	6.7
Nonpetroleum products	10.3	9.0	1.3	1.8	3.0	0.7	0.2	7.6	7.5	1.7	1.6	2.1	0.5	–0.3

p Preliminary
1. Because chain indexes use weights of more than one period, the corresponding chained dollar estimates are usually not additive.
NOTE. Percent changes in quarterly estimates are not annualized and are expressed at quarterly rates.

Capital goods decreased $0.9 billion, the first decline in 4 years, after increasing strongly in recent quarters. Civilian aircraft, engines, and parts decreased by a large amount after a very substantial increase in the fourth quarter. Among other capital goods, large decreases in machine tools and metalworking machinery and in computers, peripherals, and parts were mostly offset by large increases in "other" industrial machinery and in "other" office and business machines.

Chart 5. U.S. Trade in Goods: Change in Real Exports and Imports and in Prices From Preceding Quarter



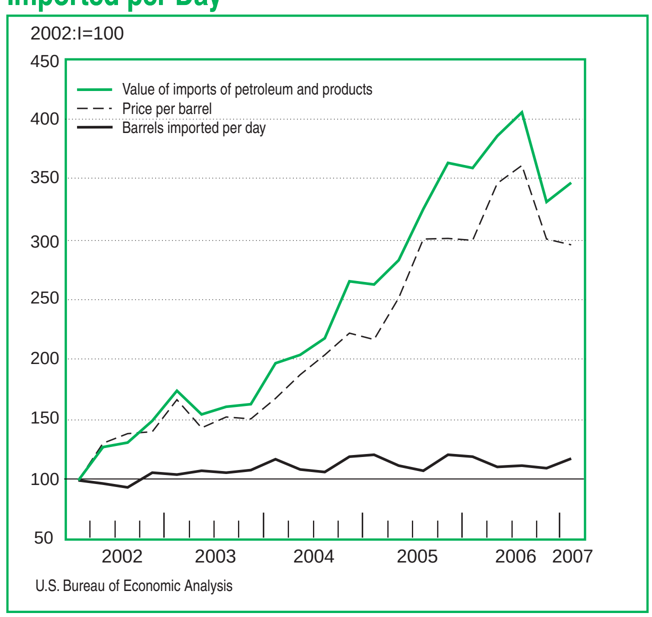
Imports. Imports of goods increased $4.2 billion, or 0.9 percent, to $471.0 billion (table C). Real imports increased 0.7 percent, and import prices increased 0.2 percent. The increase in value was largely due to a rebound in petroleum and products.

Petroleum and products increased $3.3 billion after a substantial decrease in the fourth quarter (chart 6). The rebound resulted from an upturn in the average number of barrels imported daily to 14.10 million from 13.32 million. In contrast, the average price per barrel decreased 2 percent, to $54.36, despite two recent production cuts by OPEC, one in November 2006 and the other in February 2007. In the first quarter, both U.S. domestic production and consumption of petroleum increased moderately, and U.S. inventories increased the most in 4 years. Petroleum imports from members of OPEC were boosted by the entry of Angola into the group at the start of the year.

Capital goods increased $2.4 billion. Two-thirds of the increase was attributable to the strongest increase in computers, peripherals, and parts in 5 years, partly resulting from substantial imports of computers from China. Civilian aircraft, mainly from Canada and France, and telecommunications equipment, mainly from China, also contributed to the first-quarter increase. In contrast, oil drilling, mining, and construction machinery and machine tools and metalworking machinery, both mainly from Japan, decreased.

Consumer goods increased $1.9 billion. Nondurable goods accounted for most of the rise, reflecting a

Chart 6. Imports of Petroleum and Products: Indexes of Value, Price per Barrel, and Barrels Imported per Day



substantial increase in medical, dental, and pharmaceutical products from Ireland. Durable goods increased much less than in the previous two quarters. The slowdown was attributable to a decline in radio and stereo equipment and a slowdown in toys, shooting, and sporting goods.

Foods, feeds, and beverages increased $0.8 billion. The increase was mainly attributable to increases in vegetables, fruits, nuts, and preparations from Mexico and Chile, in fish and shellfish from Russia, and in meat products and poultry from Canada.

Nonpetroleum industrial supplies and materials decreased $2.1 billion. Iron and steel products decreased for the second consecutive quarter as U.S. inventories of these products remained high and as demand from the U.S. automotive industry, a major user, remained low. Building materials fell for the fourth consecutive quarter amid the continued slowdown in U.S. residential construction.

Automotive vehicles, parts, and engines decreased $1.8 billion, almost entirely because of a decrease in imports of passenger cars, mostly from Germany and Mexico. Imports of other vehicles, mostly from Mexico and Canada, also decreased.

Balances by area. Increases in the goods deficits with Canada, Latin America and Other Western Hemisphere (mostly Mexico), and Africa (mostly members of OPEC) were largely offset by decreases in goods deficits with Asia and Pacific (mostly China and Japan) and Europe (particularly the United Kingdom).

Services

The surplus on services increased to $24.1 billion in the first quarter from $23.4 billion in the fourth quarter, as services receipts increased more than services payments. Over the last four quarters, the surplus on services has increased $6.0 billion.

Travel receipts increased $0.4 billion to $22.5 billion. The increase resulted from an increase in receipts from overseas travelers that was mostly due to a pickup in the number of overseas visitors to the United States. Travel payments were virtually unchanged at $18.4 billion. Passenger fare receipts were virtually unchanged at $5.7 billion, and passenger fare payments increased $0.2 billion to $7.2 billion.

"Other" transportation receipts increased $0.1 billion to $11.9 billion; an increase in receipts for port services was partly offset by a decrease in receipts for freight services. "Other" transportation payments decreased $0.1 billion to $16.2 billion. A decrease in payments for freight services was largely offset by an increase in payments for port services.

"Other" private services receipts increased $0.7 billion to $51.2 billion. The increase resulted from increases for both affiliated and unaffiliated services. Among unaffiliated services, receipts for insurance services and telecommunications increased. In contrast, receipts for financial services decreased after an especially strong increase in the fourth quarter. "Other" private services payments increased $0.4 billion to $31.3 billion. The increase resulted from an increase in payments for unaffiliated services, mainly business, professional, and technical services and insurance services.

Income

The surplus on income increased to $10.4 billion in the first quarter from $9.7 billion in the fourth quarter, as income receipts increased more than income payments.

Receipts of income on U.S. direct investment abroad increased $0.6 billion to $81.5 billion. Increases in the earnings of foreign affiliates in manufacturing and wholesale trade were partly offset by decreases in the earnings of affiliates in holding companies and "other" industries.

Payments of income on foreign direct investment in the United States decreased $3.6 billion to $30.2 billion. Decreases in the earnings of U.S. affiliates in wholesale trade more than accounted for the decrease. In contrast, earnings of U.S. affiliates in finance and insurance increased, mostly reflecting a rise in earnings of depository institutions owned by European parent companies.

Both receipts and payments of "other" private and U.S. Government income increased as a result of higher average holdings and amounts outstanding; average interest rates changed little. Receipts of "other" private income increased $3.9 billion to $94.8 billion. The increase was accounted for by increases in dividend and interest receipts on U.S. holdings of foreign securities and in interest receipts on bank claims. U.S. Government income receipts were virtually unchanged at $0.6 billion.

Payments of "other" private income increased $5.8 billion to $97.0 billion. Dividend and interest payments on foreign holdings of U.S. securities and interest payments on bank and nonbank liabilities all increased. Payments of income on U.S. Government liabilities increased $1.6 billion to $37.7 billion.

Unilateral current transfers

Net unilateral current transfers to foreigners were $26.1 billion in the first quarter, up from $20.7 billion in the fourth quarter. The increase resulted from increases in U.S. Government grants, mostly to the

Middle East, and in private remittances and other transfers.

Capital Account

Net capital account payments (outflows) were virtually unchanged at $0.6 billion in the first quarter.

Financial Account

Net financial inflows—net acquisitions by foreign residents of assets in the United States less net acquisitions by U.S. residents of assets abroad—were $202.8 billion in the first quarter, down from $225.2 billion in the fourth quarter.[3] Net acquisitions by U.S. residents picked up more than net acquisitions by foreign residents.

U.S.-owned assets abroad

Net U.S.-owned assets abroad increased $420.8 billion in the first quarter after an increase of $289.0 billion in the fourth quarter. The pickup was mostly attributable to a sizable pickup in U.S. claims on foreigners reported by U.S. banks. In addition, claims reported by U.S. nonbanking concerns increased after decreasing in the fourth quarter. In contrast, net U.S. purchases of foreign securities slowed after record net purchases in the fourth quarter.

U.S. official reserve assets. U.S. official reserve assets increased $0.1 billion in the first quarter after a decrease of $1.4 billion in the fourth quarter. The increase was more than accounted for by an increase in U.S. official holdings of foreign currencies. In contrast, the U.S. reserve position in the International Monetary Fund (IMF) decreased as a result of the repayment of U.S. dollars to the IMF by Turkey and other countries.

Claims reported by banks and by nonbanks. U.S. claims on foreigners reported by U.S. banks and securities brokers increased $233.0 billion in the first quarter after an increase of $123.9 billion in the fourth quarter (chart 7).

Banks' own claims denominated in dollars increased $219.2 billion after an increase of $108.1 billion. The strong first-quarter increase was mostly attributable to foreign-owned banks in the United States lending to their own offices in Europe. Elevated merger and acquisition activity and sustained economic growth in Europe contributed to strong European credit demand. In addition, U.S. brokers and dealers lent funds to foreign banks and nonbanks in the United Kingdom, mostly in the form of resale agreements.

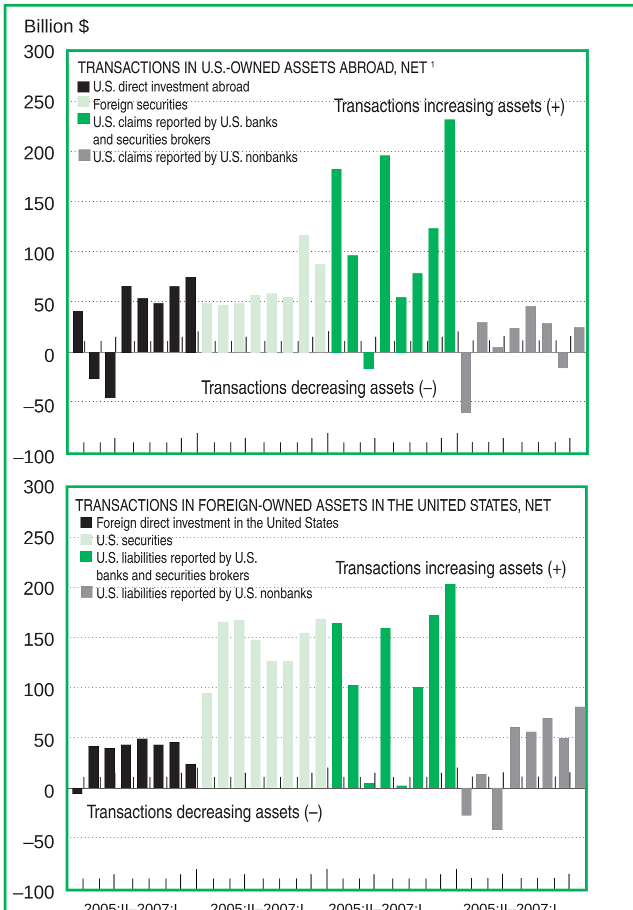
Banks' domestic customers' claims denominated in dollars increased $1.7 billion after an increase of $20.5 billion. In the first quarter, increases in deposits and brokerage balances and in "other" short-term instruments were largely offset by decreases in negotiable certificates of deposit and commercial paper.

Claims reported by U.S. nonbanking concerns increased $25.0 billion in the first quarter in contrast to a decrease of $15.8 billion in the fourth quarter. The first-quarter increase was largely attributable to increases in deposits in Caribbean financial centers and the United Kingdom.

Foreign securities. Net U.S. purchases of foreign securities were $87.7 billion in the first quarter, down from $117.2 billion in the fourth quarter. In the first quarter, net U.S. purchases of both foreign stocks and foreign bonds slowed.

Net U.S. purchases of foreign stocks were $43.5 billion, down from $62.7 billion. Foreign stock markets

Chart 7. Selected Financial-Account Transactions, 2005:II–2007:I



1. Under balance-of-payments concepts, transactions that increase U.S.-owned assets abroad are shown as negative amounts in tables 1–11, and transactions that decrease U.S.-owned assets abroad are shown as positive amounts.

NOTE. Excludes financial-account transactions in U.S. official reserve assets, in other U.S. Government assets, in foreign official assets in the United States, and in U.S. currency.

U.S. Bureau of Economic Analysis

3. Net financial flows for the most recent quarter exclude transactions in financial derivatives because data are not available.

were generally weaker in the first quarter than in the fourth quarter, though they outperformed the U.S. stock market in both quarters. Net U.S. purchases of stocks from Asia decreased, mostly as a result of a shift to net U.S. sales to Hong Kong, where stock prices were impacted by a sharp fall in the Chinese stock market. Net U.S. purchases of stocks from Europe also decreased; in the fourth quarter, net U.S. purchases were boosted by stock swaps resulting from foreign acquisitions of U.S. companies.

Net U.S. purchases of foreign bonds were $44.2 billion, down from $54.5 billion. Decreases in net U.S. purchases of bonds from Europe, where the bonds of many foreign countries are traded, and from Latin America were partly offset by a decrease in net U.S. sales of bonds to Asia. Returns on emerging market bonds were much weaker in the first quarter than in the previous two quarters, and returns on foreign investment-grade bonds remained weaker than returns on U.S. corporate bonds.

Direct investment. U.S. direct investment abroad was $75.5 billion in the first quarter, up from $66.1 billion in the fourth quarter. The pickup was more than accounted for by a pickup in net equity capital investment abroad, which resulted from a decline in sales of foreign affiliates by U.S. parent companies. In contrast, net U.S. disinvestment on intercompany debt increased, and reinvested earnings slowed.

Foreign-owned assets in the United States

Net foreign-owned assets in the United States increased $623.6 billion in the first quarter after an increase of $516.0 billion in the fourth quarter. The pickup mostly reflected larger increases in the first quarter than in the fourth quarter in foreign official assets in the United States and in liabilities reported by U.S banks and U.S. nonbanking concerns. In addition, net foreign purchases of U.S. Treasury securities picked up.

Foreign official assets. Foreign official assets in the United States increased $147.8 billion in the first quarter after an increase of $85.3 billion in the fourth quarter. Assets of Asian countries increased much more in the first quarter than in the fourth quarter, and assets of European countries increased less in the first quarter than in the fourth quarter.

Liabilities reported by banks and by nonbanks. U.S. liabilities reported by U.S. banks and securities brokers, excluding U.S. Treasury securities, increased $203.8 billion in the first quarter after an increase of $172.3 billion in the fourth quarter.

Banks' own liabilities denominated in dollars increased $166.4 billion after an increase of $132.5 billion. The strong first-quarter increase mostly reflected a surge in borrowing by U.S. brokers and dealers in the form of repurchase agreements, mainly with foreign banks and nonbanks in the United Kingdom. Foreign-owned banks in the United States borrowed moderately, and U.S.-owned banks repaid previously borrowed funds.

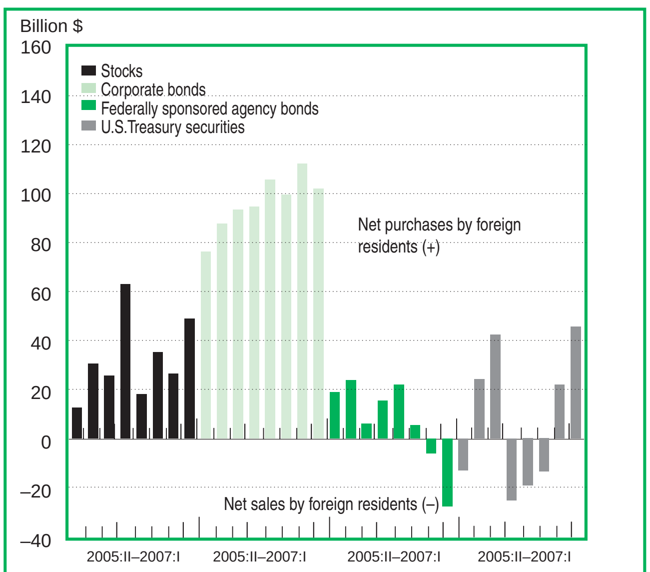
Banks' customers' liabilities denominated in dollars increased $30.6 billion after an increase of $19.9 billion. The first-quarter increase was accounted for by increases in negotiable certificates of deposits and other short-term instruments and in "other" liabilities.

U.S. liabilities reported by U.S. nonbanking concerns increased $81.1 billion after an increase of $49.6 billion. The first-quarter increase mostly reflected an increase in borrowing from the United Kingdom.

U.S. Treasury securities. Net foreign purchases of U.S. Treasury securities were $45.6 billion in the first quarter, up from $22.1 billion in the fourth quarter (chart 8). The first-quarter net purchases were the largest in 2 years. The step-up was attributable to increases in net purchases by the United Kingdom and Caribbean financial centers that were only partly offset by a shift to net sales from net purchases by Japan.

Other U.S. securities. Net foreign purchases of U.S. securities other than U.S. Treasury securities were $123.4 billion in the first quarter, down from $132.7 billion in the fourth quarter. The slowdown was more than accounted for by an increase in net sales of federally sponsored agency bonds and a decrease in net purchases of U.S. corporate bonds. In contrast, net purchases of U.S. stocks picked up.

Chart 8. Transactions in U.S. Securities, 2005:II–2007:I



Note. Excludes transactions in foreign official assets.
U.S. Bureau of Economic Analysis

Net foreign purchases of U.S. stocks were $49.1 billion, up from $26.6 billion. Net purchases stepped up though U.S. stock markets were little changed and were outperformed by most major foreign stock markets. Net purchases from Europe, mainly the United Kingdom, and from Caribbean financial centers increased. In contrast, transactions from Canada shifted to small net sales from net purchases.

Net foreign purchases of U.S. corporate bonds were $102.1 billion, down from $112.2 billion. Although lower, net foreign purchases remained strong. U.S. bond prices increased as a result of favorable U.S. economic and financial market conditions. Net purchases of corporate bonds from Caribbean financial centers and from Asia decreased. In contrast, net purchases from Europe picked up.

Net foreign sales of U.S. federally sponsored agency bonds were $27.7 billion, up from $6.1 billion. The pickup in net sales mostly reflected a decrease in net purchases from the United Kingdom and a shift to net sales from net purchases from Caribbean financial centers. Spreads on U.S. agency bonds over U.S. Treasury bonds increased.

U.S. currency. Transactions in U.S. currency shifted to net shipments to the United States of $1.6 billion in the first quarter from net shipments to foreign countries of $8.4 billion in the fourth quarter.

Direct investment. Foreign direct investment in the United States was $23.5 billion in the first quarter, down from $45.6 billion in the fourth quarter. The slowdown was partly accounted for by a shift from an increase to a decrease in net intercompany debt investment in the United States. In addition, net equity capital investment in the United States slowed, mainly as a result of a drop in the value of foreign acquisitions of U.S. companies. In contrast, reinvested earnings picked up as the share of earnings that were distributed declined in the first quarter after large distributions in the fourth quarter.

Tables 1 through 11 follow.